



The Most Important Reason to Stay Away From Bitcoin and Other Cryptocurrency

Description

We all know Bitcoin has gone crazy over the last month, with prices moving into the stratosphere just two weeks ago. There's been a little less talk and hype over the last week, but people are still talking about it. I think investing in Bitcoin is a terrible idea, and the most important reason why is this: never invest in something you do not understand. This should always be your number-one mantra when it comes to investing your precious dollars.

The Bitcoin craze looks like many other ill-fated investments. It suddenly got hot, everyone was talking about it, and many decided they needed to get in on the craze or risk being left high and dry, while everyone else gets rich. When every Joe on the street suddenly thinks they can make big bucks with hardly any effort, beware. These people are always wrong. Get-rich-quick schemes work for a tiny fraction of people at best.

Let's look at another recent example, in which people didn't have any clue what they were investing in.

Lessons from the Big Short

Remember what caused the U.S. housing crisis and the Great Recession last decade?

First, too many people who couldn't afford them qualified for mortgages with terrible terms. The other contributor to the recession was people buying mortgage-backed securities. Banks started by bundling high-quality mortgages together and selling them as investments. This was well and good, until there was more demand than supply of these securities.

So, what did the banks do?

They started bundling riskier mortgages together. Too many investors and advisors didn't pay close enough attention to what they'd bought. They believed they had "safe" investments. Many lost their investing shirts when the whole market collapsed, and people realized their safe investments were anything but.

As investors, we need to do our due diligence and ensure we know what we are investing in. You risk

seeing your money disappear otherwise.

Beware the offer of high rewards

Always beware the offer of a high reward that doesn't mention the equally high risk. I used to work for a discount broker and was surprised by how many novice investors would call wanting to trade options, because they heard there was big money to be made. Fortunately, clients had to complete an options application before they could trade the security. Many got turned down and would call us, puzzled by their denial. For most, it was because they listed the importance of keeping their principal investment safe on their profile and checked themselves off as conservative or middle-of-the-road investors.

They had no clue that options are incredibly speculative and much riskier than plain, old stock investing. If these clients hadn't been turned down, they'd likely have lost buckets of money.

The moral of the story

Many people I talk to about Bitcoin sound like those options investors. They've heard about Bitcoin, think it might be a good idea, but could not explain what Bitcoin is and how it works. If you fall into this category, don't touch it. Bank of Canada governor Stephen Poloz this week said buying Bitcoin or other cryptocurrencies is more like gambling than investing. Bitcoin and even cryptocurrency firms such as **Hive Blockchain technologies Ltd.** (TSX:HIVE) are a terrible idea for the uninformed.

Here's more Fool [analysis](#) on what will likely happen with Bitcoin in the future and how else you can [invest](#).

There's a reason more people stick to "boring" stocks, such as **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) or other old, well-established stocks. They are less likely to cost you dearly.

Remember, when it comes to investing, stick with what you know. If something new catches your interest, do a lot of research before you hand over one penny of your money.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)
3. TSXV:HIVE (Hive Blockchain Technologies)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/15

Date Created

2017/12/18

Author

sportelance

default watermark

default watermark